

After bank chiefs heed Welch's call to curb year-end bonuses, Welch pushes to formally close Bush loophole

WASHINGTON, DC - Rep. Peter Welch called on the House Banking Committee Wednesday to close a loophole that allows top banking executives to continue receiving enormous compensation packages after taking federal bailout money.

Welch's push for a change in the law comes two weeks after he led an initiative with 22 other Members of Congress urging eight top executives to voluntarily forgo their year-end bonuses.

In a letter to Chairman Barney Frank signed by 18 other Members of Congress, Welch wrote, "It is unacceptable for banking executives to be allowed to pad their pockets with massive bonuses and benefits after mismanaging their companies and coming to the American taxpayer for aid."

Since Welch's initiative two weeks ago, all but one bank receiving taxpayer assistance has voluntarily forgone executive bonuses. Bank of America chief Kenneth Lewis announced Tuesday that he would decline a 2008 bonus, while Citigroup chief Vikram Pandit announced the same last Wednesday.

Welch and other lawmakers want the loophole closed formally.

"Banks receiving taxpayer assistance should not be lining the pockets of their executives with taxpayer money. While I am pleased that many top bankers heeded our call to skip bonuses this year, I find it ridiculous that the American taxpayer should have to ask these executives to voluntarily take a pay cut," Welch said. "We must ensure these banks don't receive another dime from the federal government until we close this Bush-engineered loophole and put a stop to indefensible executive bonuses."

When it passed the \$700 billion Emergency Economic Stabilization Act in October, Congress set strict compensation limits on recipients of TARP money. However, during last-minute negotiations leading up to the bill's passage, Treasury Secretary Henry Paulson insisted on a one-sentence change that effectively mooted any caps on executive pay, the Washington Post reported.

The letter to Chairman Frank is below:

January 7, 2009

Congressman Barney Frank
Chairman
House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Frank:

As you know, due to a loophole inserted into the Emergency Economic Stabilization Act (EESA)

at the last minute by the Bush administration and a surprise change of course in the execution of the bill, companies currently participating in the Troubled Asset Relief Program (TARP) are not subject to any of the executive compensation limits that Members of Congress insisted upon before passage of the EESA.

On December 19, 2008, 23 Members of Congress sent letters to the CEOs of eight major banks calling for their top executives to not take advantage of the loophole and abide by the compensation limits intended by Congress. Following the letter, Citigroup joined Goldman Sachs in voluntarily forgoing bonuses for top executives.

As the House Financial Services Committee considers legislation to modify and improve the administration of the TARP prior to the release of the third tranche of funding, I urge you to recognize the original intent of Congress and decisively close this loophole.

It is unacceptable for banking executives to be allowed to pad their pockets with massive bonuses and benefits after mismanaging their companies and coming to the American taxpayer for aid. Thank you for your service. I look forward to working with you to bring health to the financial services industry and protect the taxpayer during the 111th Congress.

Sincerely,

PETER WELCH
Member of Congress